

MARYSVILLE SCHOOL DISTRICT No. 25
Snohomish County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Federal Findings

1. Payroll Costs Claimed Against Federal Grants Were Incorrect Or Not Supported By Appropriate Time Records

District reimbursement claims for costs to administer some of their federally funded programs were inaccurate. Time and effort reports that reflect actual time worked on the Chapter One and Handicapped Supplemental programs were not used to allocate such costs. We also found errors in some of these time reports which did not result in incorrect grant claims, but further indicate that controls are not working properly to ensure that grant claims are accurate.

Payroll costs were reviewed for some employees who worked one federal program and others who worked on more than one program or objective. Problems we found with the time and effort reporting process include:

- a. Reports with incorrect number of hours worked on federal programs.
- b. Reports were not always signed by the employee or supervisor.
- c. Some reports were missing or had not been prepared.

The U.S. Office of Management and Budget's (OMB) Circular A-87, Attachment B, paragraph B(10), states in part:

Payrolls must be supported by time and attendance or equivalent records for individual employees.

The revised Circular A-87, Attachment B, paragraph 11, h(4) and h(5), effective September 1, 1995, states:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity report or equivalent documentation . . . Personnel activity reports or equivalent documentation must . . . reflect an after-the-fact distribution of the actual activity of each employee.

The problems cited above were not detected by management because no one was comparing the time and effort reports of hours worked in federally funded programs to the actual payroll charges for those programs. Appropriate supervisors also did not ensure that every employee whose salary was charged to federal grant programs completed a time report.

We recommend that all employees charging time to federally funded programs complete a time and effort report covering each payroll period, and that such reports be signed by

the employee and immediate supervisor. Furthermore, management must compare these time and effort reports to the actual payroll charges, and ensure that payroll costs are accurately claimed from the grantors.

We further recommend that management consider the September 1995 changes to OMB Circular A-87 when making improvements to their time reporting system. Employees who work on one federal program or one "cost objective" will only be required by federal regulations to prepare semi-annual certifications that they worked solely on that program. However, management may hold their employees to a higher standard for the sake of consistency and ease of administration to ensure all federally funded payroll charges are in compliance with federal regulations.

2. The District Should Provide Accurate Student Counts To Grantors When Applying For Federal Funds

Marysville School District receives federal funds each year from the U.S. Department of Education to compensate for reduced local revenues. The district receives this money under the Impact Aid Maintenance and Operations program to compensate the district for tax exempt federal property within district boundaries. The \$580,302 of Impact Aid grant money received in fiscal year 1995, included \$134,347 for the education of handicapped students who are connected with federal land. We reviewed 51 student names of the 145 students reported as handicapped on the district's grant application and found 14 students who were not eligible for these special education services. The number of students eligible for handicapped education determines the amount of federal funding the district will receive to provide these services.

34 *Code of Federal Regulations* 222.72 (a) says that:

In order that a handicapped child may be counted for the purpose of an additional payment under section 3(d)(2)(C), a child must . . .

(2) Be receiving services suited to the child's special educational and related needs; and

(3) Be enrolled in a program that is of sufficient size, scope, and quality to give reasonable promise of substantial progress toward meeting the child's special educational and related needs . . .

District officials obtained names from their computer files which identified students who had a handicapping condition at one time. These officials did not realize that all of the students reported were not enrolled in the special education program at the time they prepared the grant application.

When district officials overstate the number of eligible handicapped students on their grant application, they claim more federal funds than allowed by law.

We recommend that district officials review the October 1994 and 1995 Impact Aid grant applications for other errors in reporting handicapped students and, if necessary, repay the U.S. Department of Education the amount of grant funds that both parties agree the district was not entitled to receive.

We also recommend that district officials improve controls to ensure they report the correct number of students on future grant applications.